

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
SEMCO ENERGY GAS COMPANY)	
for authority to implement a gas cost recovery plan)	Case No. U-18157
and factor for the 12-month period from April 2017)	
through March 2018 and for related approvals.)	
_____)	

At the September 15, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On December 21, 2016, pursuant to 1982 PA 304, MCL 460.6h, SEMCO Energy Gas Company (SEMCO) filed an application with supporting testimony and exhibits requesting approval of its gas cost recovery (GCR) plan and factor for the 12-month period ending March 31, 2018.

A prehearing conference was held on February 2, 2017, before Administrative Law Judge Mark D. Eyster (ALJ).¹ At the prehearing conference, the ALJ granted the Michigan Department of the Attorney General (Attorney General) intervention. The Commission Staff also participated in the proceeding. Subsequently, the parties filed a settlement agreement resolving all issues in the

¹ Pursuant to an Order of Reassignment dated June 26, 2017, this case was reassigned to ALJ Lauren G. VanSteel.

case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that SEMCO's 2017-2018 GCR plan should be approved. The parties further agree that the Commission should approve a base GCR factor of \$4.1943 per Dekatherm (Dth), comprised of a balancing and demand charge of \$0.8048 per Dth and a gas commodity cost of \$3.3895 per Dth. The parties also agree that the Commission should authorize SEMCO to adjust its base GCR factor according to SEMCO's contingency factor matrix attached to the settlement agreement as Attachment 2. Finally, the parties agree that SEMCO should also be authorized to implement the balancing and demand charge of \$0.8048 per Dth to gas customer choice customers.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. SEMCO Energy Gas Company's gas cost recovery plan for the 12-month period ending March 31, 2018, is approved.
- C. SEMCO Energy Gas Company is authorized to incorporate into its rates a base gas cost recovery factor of \$4.1943 per Dekatherm for the 12-month period ending March 31, 2018, which includes a balancing and demand charge of \$0.8048 per Dekatherm.
- D. SEMCO Energy Gas Company is authorized to adjust its base gas cost recovery factor according to the contingency factor matrix reflected in Attachment 2 to the settlement agreement.
- E. SEMCO Energy Gas Company is authorized to charge the balancing and demand charge of \$0.8048 per Dekatherm to gas customer choice customers.

F. SEMCO Energy Gas Company shall file, within 30 days of the date of this order, tariff sheets substantially similar to Attachments 1 and 2 of the settlement agreement attached to this order.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General – Public Service Division at pungp1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General – Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

By its action of September 15, 2017.

Norman J. Saari, Commissioner

Kavita Kale, Executive Secretary

Rachael A. Eubanks, Commissioner

STATE OF MICHIGAN
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* * * * *

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<hr/>)	

SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 431 of the Michigan Administrative Hearing System's Administrative Hearing Rules, R 792.10431, SEMCO Energy Gas Company, a division of SEMCO Energy, Inc., ("SEMCO Gas" or the "Company"), the Michigan Public Service Commission Staff ("Staff"), and Attorney General Bill Schuette ("AG") hereby stipulate and agree as follows:

1. As required by 1982 PA 304 ("Act 304") on December 21, 2016, SEMCO Gas filed with the Michigan Public Service Commission ("MPSC" or the "Commission") its application, along with testimony and exhibits, supportive of its Gas Cost Recovery ("GCR") plan and factors for the 2017-2018 period and its five-year forecast.

2. On January 4, 2017, the Commission's Executive Secretary issued the Notice of Hearing in this case and directed SEMCO Gas to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its service area and to intervenors in Case No. U-17942. Further, SEMCO Gas was directed to publish the Notice of Hearing in daily newspapers of general circulation throughout its service area. On January 30, 2017, SEMCO electronically filed its affidavit of mailing and proof of publication.

3. On February 2, 2017, Administrative Law Judge (“ALJ”) Mark D. Eyster conducted the prehearing conference in this case. SEMCO Gas and the Staff participated in the proceeding, and the AG was granted intervenor status.

4. On June 26, 2017, an Order of Reassignment was filed reflecting the assignment of this case to ALJ Lauren G. VanSteel.

5. The parties have engaged in discussions and reached agreement on a settlement for this case. It is the opinion of the signatories hereto that this settlement agreement is reasonable and prudent, will aid in the expeditious conclusion of this proceeding, and will minimize expenses for the Commission and the parties.

6. By this Settlement Agreement, the signatories stipulate that:

- a. Proceedings in this GCR plan were conducted in accordance with Act 304.
- b. SEMCO Gas’s 2017-2018 GCR plan is reasonable and prudent and should be approved by the Commission. The parties acknowledge that this GCR plan includes costs associated with ANR long-haul transportation capacity and storage services and that such costs reflect discounts/savings negotiated by the Company from the Federal Energy Regulatory Commission authorized increased rates approved for ANR effective on August 1, 2017, but notwithstanding, the 2017-2018 ANR long-haul transportation capacity and storage rates negotiated by the Company reflect a slight increase over the actual 2016-2017 costs for these services.
- c. The parties further acknowledge that SEMCO Gas’s 2017-2018 GCR plan at page 18 of Mr. Fitzgerald’s prefiled direct testimony reflects (i) an increase of capacity at the Northern Natural Gas (“NNG”) Marquette 1A

interconnection point of 4,000 Dth/day, and (ii) an increase of capacity at the NNG Lake Linden interconnection point of 1,121 Dth/day. These capacity upgrades address 2017-18 forecasted Design Day capacity deficiencies and are intended to provide for adequate interconnection capacity for SEMCO Gas's customers over the long term. The need for future interconnection upgrades will be reasonably evaluated by SEMCO Gas so as to minimize costs. The NNG interconnection improvement costs at Marquette 1A and Lake Linden are part of the Balance and Demand ("B&D") charge being approved for 2017-2018.

- d. SEMCO Gas should be authorized to implement a base GCR factor of \$4.1943 per Dekatherm ("Dth"), which is comprised of a Balancing and Demand Charge of \$0.8048 per Dth and a Gas Commodity Cost of \$3.3895 per Dth for the 12-month period ending March 31, 2018, as reflected in Attachment 1 hereto. SEMCO Gas should also be authorized to implement the Balancing and Demand Charge of \$0.8048 per Dth to gas customer choice customers.
- e. SEMCO Gas should be authorized to adjust its base GCR factor according to its Contingency Factor Matrix reflected in Attachment 2 hereto.
- f. The signatories accept SEMCO Gas's 5-year forecast as supported by its filed testimony and exhibits as satisfying the requirements of Section 6h(4) of Act 304, and the parties are not aware of cost items in the 5-year forecast that, based on present evidence, this Commission would likely deny SEMCO Gas from recovering from customers in its rates.

7. This Settlement Agreement has been made for the sole express purpose of reaching compromise among the positions of the signatory parties. All offers of settlement and discussions relating to this Settlement Agreement shall be considered privileged as provided in MRE 408. If the Commission approves this Settlement Agreement without modifications, neither parties to this Settlement Agreement nor the Commission shall use, reference, cite, discuss, or rely upon it for any reason or purpose other than to enforce the Settlement Agreement and Order in the case the Settlement Agreement and Order was entered.

8. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969, MCL 24.281, as it applies to this proceeding, if the Commission approves this Settlement Agreement without modification.

9. This Settlement Agreement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of the Settlement Agreement. Failure to comply with any provision of the Settlement constitutes failure to comply with the entire Settlement Agreement. If the Commission rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, the Settlement Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose. Each party agrees not to appeal or otherwise contest any Commission order accepting and approving this Settlement Agreement without modification.

SEMCO ENERGY GAS COMPANY

**Sherri A.
Wellman**

Digitally signed by: Sherri A. Wellman
DN: CN = Sherri A. Wellman C = AD
O = MillerCanfield
Date: 2017.08.17 10:35:09 -05'00'

Dated: August 17, 2017

By: _____

Its Attorney
Sherri A. Wellman (P38989)
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(517) 483-4954

MICHIGAN PUBLIC SERVICE COMMISSION STAFF

Heather M.S. Durian

Dated: August 17, 2017

By: _____

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ATTORNEY GENERAL WILLIAM SCHUETTE

Michael E. Moody

Michael Moody
2017.08.17 15:01:04
-04'00'

Dated: August 17, 2017

By: _____

Michael E. Moody (P51985)
Assistant Attorney General
Environmental, Natural Resources, and Agriculture
Division
525 W. Ottawa Street
P.O. Box 30755
Lansing MI 48909
(517) 373-1123

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The Gas Cost Recovery Factors

The following maximum Gas Cost Recovery Factors for the April 2017 through March 2018 GCR plan period are authorized pursuant to the Gas Cost Recovery Clause:

Billing Months	Maximum Authorized Factor \$/Dth	Actual Factor Billed / Dth
April, 2017	\$4.1943/Dth	
May, 2017		
June, 2017		
July, 2017		
August, 2017		
September, 2017		
October, 2017		
November, 2017		
December, 2017		
January, 2018		
February, 2018		
March, 2018		

The current month's Gas Cost Recovery factor is composed of the following cost components:

Balancing and Demand Charge	\$0.8048/Dth
Gas Commodity Charge	\$3.3895/ Dth

Issued _____
Colleen Starring
President
Port Huron, MI

Effective for bills rendered on and after the
first billing cycle_____. Issued under
authority of 1982 PA 304, Section 6h and the
Michigan Public Service Commission for
Self-implementation in Case No. U-18157.

M.P.S.C. - No. 1 – Gas
 SEMCO ENERGY GAS COMPANY
 (To revise Gas Cost Recovery Factors)

Contingency Factor Matrix

		April '17 March '18	
Fractional Mult. F_m		0.9903	
Plan NYMEX (X_{plan})		\$3.4224	
Base GCR Factor		\$4.1943	
NYMEX Increase		Incremental Contingent GCR Factor / Dth	Resulting maximum allowable GCR Factor / Dth
\geq	$<$		
\$0.00	\$0.05	\$0.0000	\$4.1943
\$0.05	\$0.10	\$0.0495	\$4.2438
\$0.10	\$0.15	\$0.0990	\$4.2933
\$0.15	\$0.20	\$0.1485	\$4.3428
\$0.20	\$0.25	\$0.1981	\$4.3924
\$0.25	\$0.30	\$0.2476	\$4.4419
\$0.30	\$0.35	\$0.2971	\$4.4914
\$0.35	\$0.40	\$0.3466	\$4.5409
\$0.40	\$0.45	\$0.3961	\$4.5904
\$0.45	\$0.50	\$0.4456	\$4.6399
\$0.50	\$0.55	\$0.4952	\$4.6895
\$0.55	\$0.60	\$0.5447	\$4.7390
\$0.60	\$0.65	\$0.5942	\$4.7885
\$0.65	\$0.70	\$0.6437	\$4.8380
\$0.70	\$0.75	\$0.6932	\$4.8875
\$0.75	\$0.80	\$0.7427	\$4.9370
\$0.80	\$0.85	\$0.7922	\$4.9865
\$0.85	\$0.90	\$0.8418	\$5.0361
\$0.90	\$0.95	\$0.8913	\$5.0856
\$0.95	\$1.00	\$0.9408	\$5.1351
\$1.00	\$1.05	\$0.9903	\$5.1846
\$1.05	\$1.10	\$1.0398	\$5.2341
\$1.10	\$1.15	\$1.0893	\$5.2836
\$1.15	\$1.20	\$1.1388	\$5.3331
\$1.20	\$1.25	\$1.1884	\$5.3827
\$1.25	\$1.30	\$1.2379	\$5.4322
\$1.30	\$1.35	\$1.2874	\$5.4817
\$1.35	\$1.40	\$1.3369	\$5.5312
\$1.40	\$1.45	\$1.3864	\$5.5807
\$1.45	\$1.50	\$1.4359	\$5.6302

		April '17 March '18	
Fractional Mult. F_m		0.9903	
Plan NYMEX (X_{plan})		\$3.4224	
Base GCR Factor		\$4.1943	
NYMEX Increase		Incremental Contingent GCR Factor / Dth	Resulting maximum allowable GCR Factor / Dth
\geq	$<$		
\$1.50	\$1.55	\$1.4855	\$5.6798
\$1.55	\$1.60	\$1.5350	\$5.7293
\$1.60	\$1.65	\$1.5845	\$5.7788
\$1.65	\$1.70	\$1.6340	\$5.8283
\$1.70	\$1.75	\$1.6835	\$5.8778
\$1.75	\$1.80	\$1.7330	\$5.9273
\$1.80	\$1.85	\$1.7825	\$5.9768
\$1.85	\$1.90	\$1.8321	\$6.0264
\$1.90	\$1.95	\$1.8816	\$6.0759
\$1.95	\$2.00	\$1.9311	\$6.1254
\$2.00	\$2.05	\$1.9806	\$6.1749
\$2.05	\$2.10	\$2.0301	\$6.2244
\$2.10	\$2.15	\$2.0796	\$6.2739
\$2.15	\$2.20	\$2.1291	\$6.3234
\$2.20	\$2.25	\$2.1787	\$6.3730
\$2.25	\$2.30	\$2.2282	\$6.4225
\$2.30	\$2.35	\$2.2777	\$6.4720
\$2.35	\$2.40	\$2.3272	\$6.5215
\$2.40	\$2.45	\$2.3767	\$6.5710
\$2.45	\$2.50	\$2.4262	\$6.6205
\$2.50	\$2.55	\$2.4758	\$6.6701
\$2.55	\$2.60	\$2.5253	\$6.7196
\$2.60	\$2.65	\$2.5748	\$6.7691
\$2.65	\$2.70	\$2.6243	\$6.8186
\$2.70	\$2.75	\$2.6738	\$6.8681
\$2.75	\$2.80	\$2.7233	\$6.9176
\$2.80	\$2.85	\$2.7728	\$6.9671
\$2.85	\$2.90	\$2.8224	\$7.0167
\$2.90	\$2.95	\$2.8719	\$7.0662
\$2.95	\$3.00	\$2.9214	\$7.1157
\$3.00		\$2.9709	\$7.1652

Continued on Sheet

Issued _____,
 Colleen Starring
 President
 Port Huron, MI

Effective for service rendered on
 and after _____ Issued under
 authority of the Michigan Public Service
 Commission dated _____ in
 Case No. U-18157.